2019 Full year Results

Paul Smith – CEO
Andy Thomson – CFO

Introduction to Morses Club

Our Principles

Prudent financial stewardship

- Fully FCA regulated lender
- Low level of impairments
- Consistently profitable
- Focus on responsible lending

Strong returns to shareholders

- Progressive dividend policy
- Highly profitable
- Total shareholder returns since IPO of 79%[1]

Culture & ethics lead to good customer outcomes

- Customer-centric – based on service not 'selling'
- Responsible lending core to our model, all based on treating customers fairly
- Customer satisfaction survey score of 97% [2]

Digital leadership

- Digitalisation of products in response to customer needs
- Customers able to repay online and ask for loans remotely
- Customer Portal launched
- Streamlined and compliant lending process

Strategic focus

- Product diversification based on customer needs and addressable market
- Approach to online lending is focused on quality over volume

Consolidation

- Strong HCC offering with ambition to acquire smaller players in a stable market
- Flex to customer needs, not dictate the service model

(1) Source: Company information, Company accounts
(2) Independent Research - Mustard

Financial Highlights

Growth in key metrics

TOTAL CREDIT ISSUED	ADJUSTED PBT (IFRS9)[1]	STATUTORY PBT (IFRS9)[1]
↑ 2.4%	↑ 18.3%	↑ 30.3%
CUSTOMER NUMBERS	**NET LOAN BOOK (IFRS9)[1]**	**FULL YEAR DIVIDEND**
↑ 235,000	↑ 6.0%	↑ 11.4%

(1) IFRS9 FY19 v IFRS9 Pro-forma FY18

Operational Highlights

NUMBER OF ACQUISITIONS

3*

ONLINE LENDING CUSTOMERS

50,000

CUSTOMERS PER MANAGER

814

Diversification through continued development of digital offering

Strong growth in demand for Morses Club Card

Acquisition of online loan provider, CURO Transatlantic Limited, post-period end

New Customer Portal launched

Positive progress made towards launch of e-money proposition

Continued investment in technology to enhance customer experience

* Two HCC acquisitions (Eccles and Hays) completed during FY19
CURO Transatlantic Limited acquisition made post-period end

The Non-Standard Credit Market

1 in 4
adults in the UK have no savings[1]

10m
customers in the non-standard credit market[2]

39m
million people in the UK have outstanding credit borrowing[3]

UK unsecured personal lending totals
£216bn[4]

HCC

- HCC market totals **£1.1bn** with **1.6m** users at any given time[5]
- The size of the HCC market has remained stable for the last 4/5 years
- Morses Club has **14%** of the customer market of HCC users

HCSTC

- The top 8 lenders had revenues of £453m in 2016[6]
- The top 3 HCSTC lenders by revenue are:
  - CashEuroNet UK (operates as QuickQuid and Pounds to Pocket in the UK)
  - Instant Cash Loans
  - Elevate (operates the Quick.co.uk and Sunny brands in the UK) [6]
- Tightening regulation led both significant and smaller lenders to exit the market[6]

(1) ING International Survey Savings, February 2019
(2) Provident Financial Plc Annual Report and Financial Statements 2017
(3) FCA Sector Views January 2019
(4) Table A5.2, Bank of England Money and Credit Bank stats February 2019
(5) FCA High Cost Credit Review Technical Annex 1: CRA data analysis of UK personal debt – July 2017
(6) Apex Insight – High-Cost Short Term Credit (including payday lending) UK Market Insight Report 2018

Regulatory Overview

FCA in-depth review of the high-cost credit market has been completed

Concluded that markets were well-run

No significant changes were required to our processes due to our preparedness

- We have refined our training for conduct rules in customer homes
- We are making modifications to our technology – will be in place by mid-2019
- Open and transparent relationship with the regulator
- CEO is a member of the FCA's Smaller Business Practitioner Panel

> In summary, our analysis shows that consumers who use home-collected credit over long periods do not appear to suffer significant economic harm as a result in the same way that can be seen in other parts of the high-cost credit markets.(1)

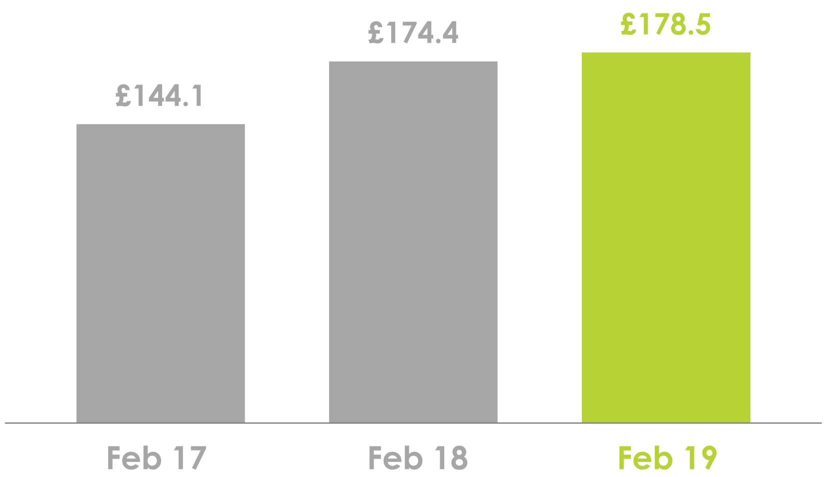
(1) FCA High-cost Credit Review, Consultation Paper, CP18/43

Financial Review

Financial Highlights

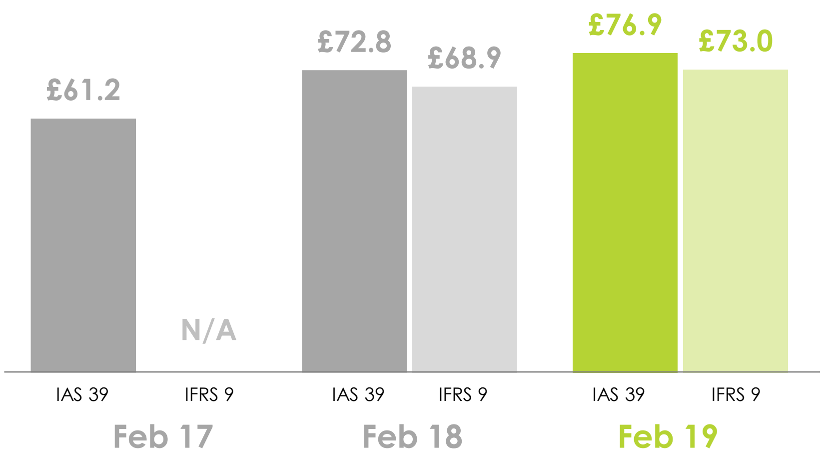
Steady growth in credit issued and loan book value

Credit issued (£m)



- 24% growth in credit issued over the past two years primarily as a result of the territory build opportunity
- Two year CAGR 11%

Loan book growth (£m)

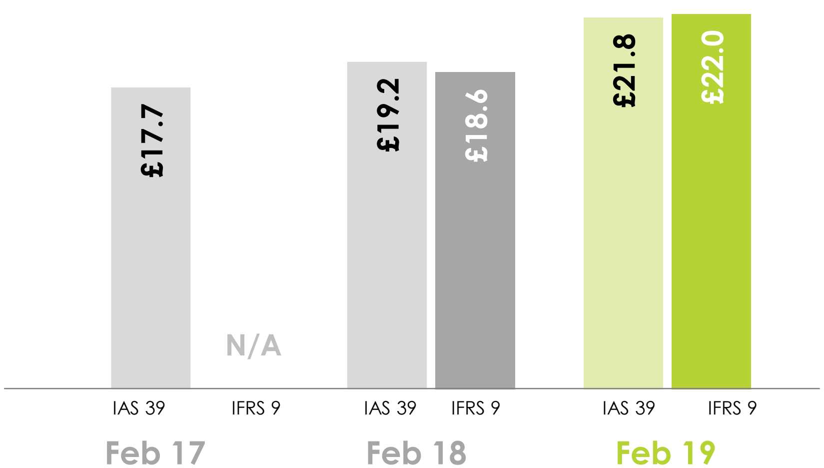


- 6% growth in FY19 compared to FY18 IFRS9 pro forma
- Two year CAGR on an IAS39 basis is 12%

Financial Highlights

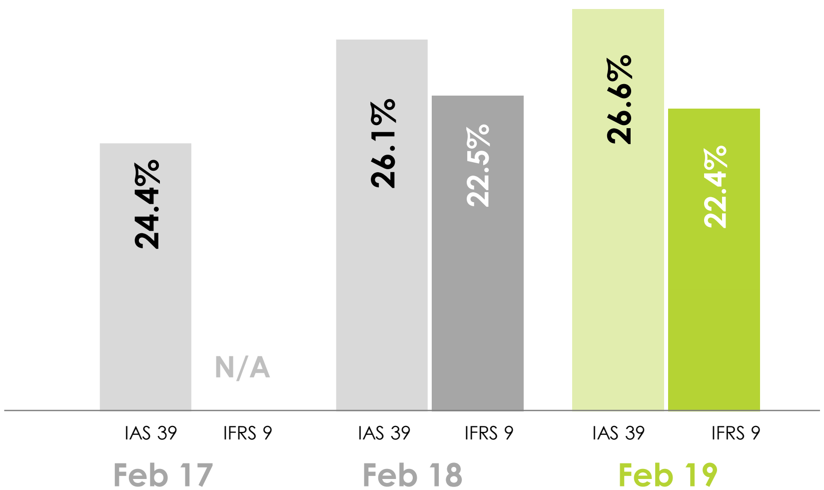
Delivery of significant earnings growth with controlled impairment

Adjusted PBT (£m)



- Adjusted PBT for FY19 increased by 18.3% compared to the IFRS9 pro forma results
- CAGR over two years of 11% as measured under IAS39
- Impact on earnings of IFRS9 negligible in FY19

Impairments as a % of revenue

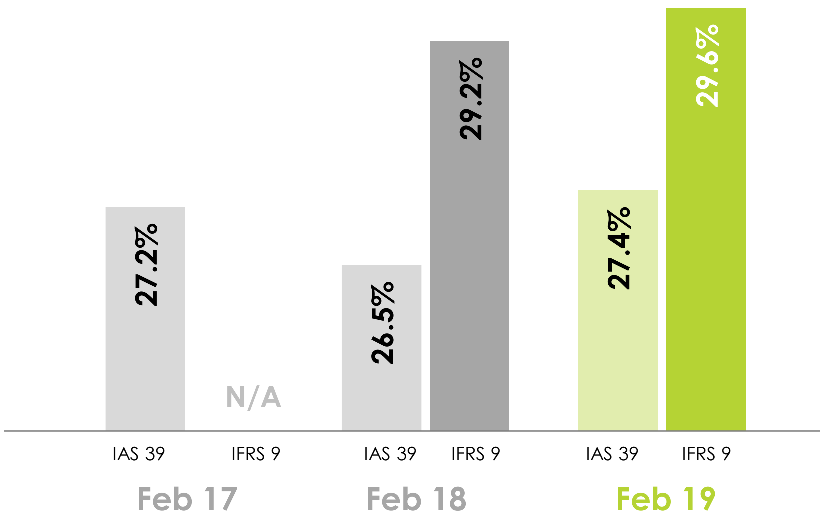


- Impairments in FY19 consistent with FY18 under IFRS9 or IAS39
- Reduced impairment guidance range from 22-27% to 21-26%
- We believe this is one of the best of any listed HCC business in the UK

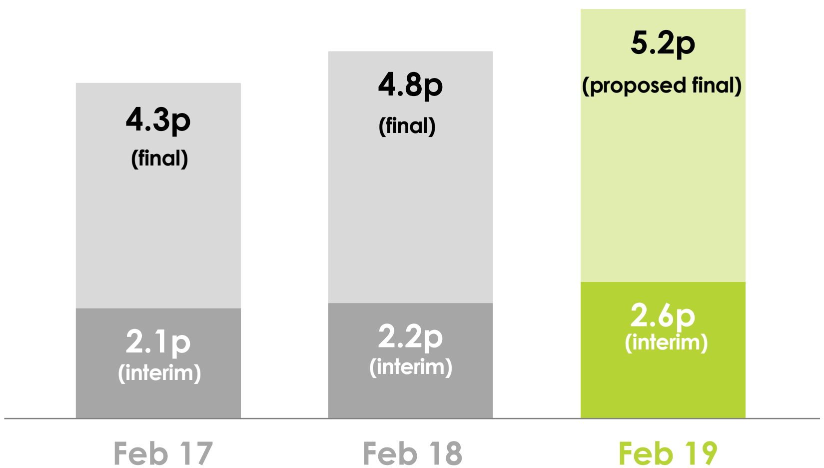
Financial Highlights

Delivering increased shareholder returns

Adjusted return on equity



Dividends paid or recommended



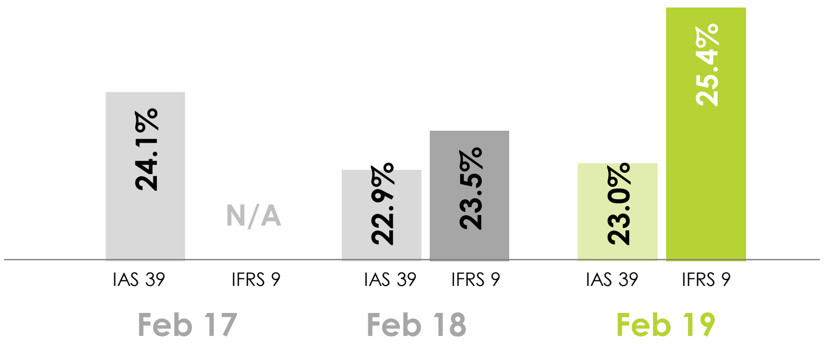
- **Total shareholder return since IPO (approximately 3 years) = 79%**
- Final dividend proposed of 5.2p up 8.3% on last year
- Dividend for the year proposed of 7.8p up 11.4% on last year

(1) Total shareholder return based on the closing share price of 177p on 30th April 2019 plus dividends paid of 16p compared to the original listing price on 5th May 2016 of 108p

Loan Book Performance

Equity returns delivered through high asset returns

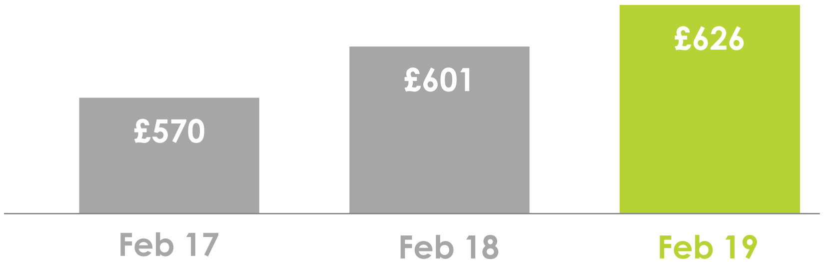
Adjusted return on assets



Risk adjusted margin (RAM)

IAS 39: Feb 19	IAS 39: Feb 18
121.2%	129.8%
IFRS 9: Feb 19	**IFRS 9: Feb 18**
131.2%	N/A

Average customer balances have grown



Commentary

- Risk adjusted RAM decreased as a result of longer loan book and less new loans which drive higher income in earlier weeks
- Higher average customer balances reflects better affordability of customers taken on through territory builds

Income Statement

	IAS 39			IFRS 9	
	Feb-17	Feb-18	Feb-19	Feb-18	Feb-19
Customer Numbers (000's)	216	229	235	229	235
Period end receivables	61.2	72.8	76.9	68.9	73.0
Average Receivables	58.2	66.4	74.9	62.6	69.3
Revenue	99.6	116.6	123.6	110.4	117.0
Impairment	(24.3)	(30.4)	(32.9)	(24.7)	(26.2)
Agent comm'n	(21.2)	(23.6)	(26.6)	(23.6)	(26.6)
TB subsidies	(1.2)	(4.4)	(1.7)	(4.4)	(1.7)
Gross Profit	52.9	58.2	62.4	57.7	62.5
Admin expenses	(34.3)	(37.5)	(38.9)	(37.6)	(38.8)
Adjusted Operating Profit	18.6	20.7	23.5	20.1	23.7
Adjusted Financing Costs	(0.9)	(1.5)	(1.7)	(1.5)	(1.7)
Adjusted PBT	17.7	19.2	21.8	18.6	22.0
Tax	(3.7)	(4.0)	(4.6)	(3.9)	(4.4)
Adjusted PAT	14.0	15.2	17.2	14.7	17.6

(1) The reconciliation between reported profits and adjusted profits can be found on Page 25.
(2) Normalised tax rate of 19% applied to adjusted PBT to reach adjusted PAT.
(3) Total cost includes agent commission, administration expenses (pre exceptional) and depreciation.
Source: Company information, Company accounts.

Commentary
(FY19 v FY18 pro forma IFRS9)

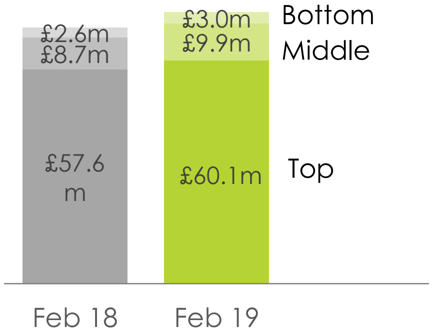
- Adjusted PBT increased by 18.3%
- Earnings growth driven by increased gross margin before territory build subsidies of £2.1m and reduced territory build costs of £2.7m
- Admin expenses increase reflects higher IT costs, marketing and compliance. However as a percentage of revenue they reduced from 34.1% to 33.2%

Balance Sheet

Funded for further acquisitions

	IAS39	IAS39	IAS39	IFRS 9	IFRS 9
	Feb-17	Feb-18	Feb-19	Feb-18	Feb-19
Non Current Assets					
Goodwill & Intangibles	7.0	5.0	5.2	5.0	5.2
PPE	3.7	4.1	4.9	4.1	4.9
Current Assets					
Trade Receivables	61.2	72.8	76.9	68.9	73.0
Cash & Cash Equivalents	4.0	4.9	4.9	4.9	7.9
Other Current assets	2.1	2.5	3.1	3.2	3.8
	67.3	80.2	84.9	77.0	84.7
Total Assets	78.0	89.3	95.0	86.1	94.8
Current Liabilities					
Trade & Other payables	(6.5)	(6.8)	(9.3)	(6.8)	(9.3)
Loan Facility	(10.0)	(16.0)	(14.5)	(16.0)	(14.5)
Total Liabilities	**(16.5)**	**(22.8)**	**(23.8)**	**(22.8)**	**(23.8)**
Net Assets	**61.5**	**66.5**	**74.2**	**63.3**	**71.0**
Net Tangible Assets	**54.5**	**61.5**	**69.0**	**58.3**	**65.8**

IRFS 9



- Top tier customers make up c.82% of the net loan book
- Net assets increase by 12.2%
- Peak borrowing (Dec 18) was £21.5m (Dec 17 £28.0m)
- Facility increased in Nov 18 from £40m to £55m

Cash flow

Profits supported by strong cash flows

£m	Feb-18	Feb-19
Cash from Operations ex invest in loan book	**£22.9**	**£24.3**
Cash from funding	£6.0	(£1.0)
Total Cash Sources	£28.9	£23.3
Increase in Net Loan Book	(£11.6)	(£0.8)
Acquisitions	0.0	(£2.2)
Capital Expenditure	(£2.0)	(£2.4)
Corporation Tax	(£4.6)	(£3.6)
Interest Paid	(£1.4)	(£1.7)
Dividend Paid	(£8.4)	(£9.6)
Total Cash Uses	(£28.0)	(£20.3)
Cash Movement	£0.9	£3.0

Commentary

- Cash from operations ex investment in the loan book increased by 6.1% to £24.3m
- Loan book growth in FY18 reflected territory build growth whereas the focus from FY19 is growth through acquisitions
- Dividends paid of £9.6m were 40% of the cash generated from operations prior to loan book re-investment

Strategic Overview

Opportunities for growth through acquisition

The fragmented HCC and wider HCSTC markets provide opportunities for growth

The HCC market

There are opportunities for growth in the stable HCC market through industry consolidation, as smaller firms struggle to comply with stringent regulatory requirements

In FY19, we completed and successfully integrated two well-established regional HCC businesses – Eccles & Hays, adding 5,700 customers and £3m loan book balances

Morses Club has a conservative approach to acquisitions - quality of the loan book, affordability of loans for customers and impairment rates are key considerations

Snapshot of the HCSTC market

- It is estimated that circa 250 firms held interim FCA permission to provide HCSTC in 2014
- Around 50 firms obtained full FCA permission
- It is estimated that many of these firms are small businesses with loan books often no more than £1 million
- Estimated that the top 20 lenders account for 95% of the market

Source: Apex Insight – High-Cost Short Term Credit (including payday lending) UK Market Insight Report 2018

Digitalisation to meet customer needs

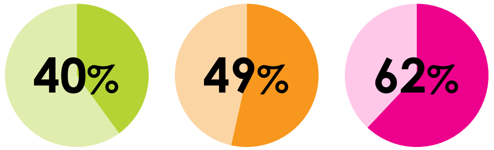
Building a digital offering to allow our customers to access credit flexibly

Growing adoption of digital channels across our customer base supports our strategy of enhancing our digital offering

Increased penetration of mobile and web-based interactions:

80%
Of customers access the website via mobile

Top reasons for Morses Club customers using online services:



Managing accounts | General Info | Social Media

Morses Club Card

- Remains the only cashless lending product available in the mainstream HCC sector
- Strong levels of demand continue –
  - 30,000 customers
  - Over £15m of loan balances
- 84% customer satisfaction with Morses Club Card

Customer Portal

- Provides customers with information regarding their account balance, payment history and Morses Club Card account
- Enables customers to see their eligibility for further credit anytime
- Offers content and rewards from third parties
- Launched in FY19
- Once FY19/20 e-money product is launched, this will be fully integrated into the customer portal

Expansion in online lending

Shelby Finance Limited

CURO Transatlantic Limited

- As part of strategy to expand online lending, acquisition of CURO Transatlantic Limited
- Business and certain assets acquired out of administration including 50,000 quality customers, increasing overall Group customer base by 20%
- Gross receivables (excluding bad loans) £19m
- Move from bullet loans to longer loan duration, based on risk-based affordability and forbearance standards
- Complex integration plan to maximise business performance underway

Financial impact

- The Board expects a loss before interest and tax in FY20 as a result of the effects of the:
  - CURO loan book being in decline prior to acquisition
  - Time required to re-platform the IT and re-integrate the marketing channels
  - Move away from ultra-short 1 and 2 month loans
  - Time it will take to increase repeat business
- We expect to be break even on a monthly basis by the end of FY20 and therefore generating profits into FY21, such that there is a positive return after the cost of funding off the back of c. 200k short term loans
- We anticipate making a profit before interest and tax from FY22 and beyond of between £3m - £5m, particularly as we extend into longer term loans
- There are many profitable online lenders such as CashEuroNet UK (Quick Quid), Lending Stream (Drafty) and DJS (UK) (PiggyBank)

Retail banking opportunities

The wider banking landscape

- The number of adults using mobile banking has more than doubled since 2013, increasing from 8.9 million to 22.2 million in 2017[1]
- The number of UK current accounts has risen to 74 million[2]
- 97% of consumers own at least one current account either by themselves or jointly with someone else[2]
- Online banking is the most-commonly preferred channel for all banking activities except opening a new account[1]
- Since the end of 2017, debit cards are the most widely used payment method[2]

> The retail banking sector is in a position of transition. Significant change continues to be driven by advances in technology and regulatory changes such as the revised Payment Services Directive (PSD2) and Open Banking.[2]

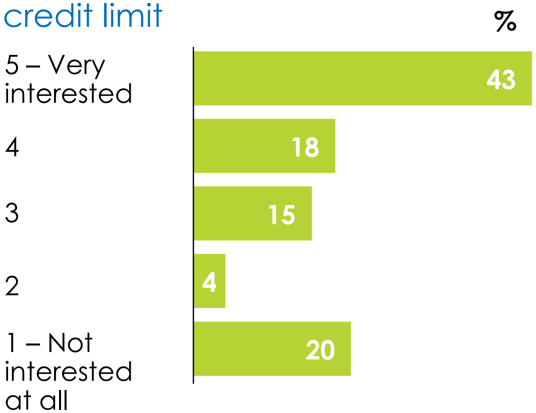
(1) Mintel, Consumer Attitudes towards Credit Products – UK, July 2018
(2) FCA Sector Views January 2019

New Products & Initiatives

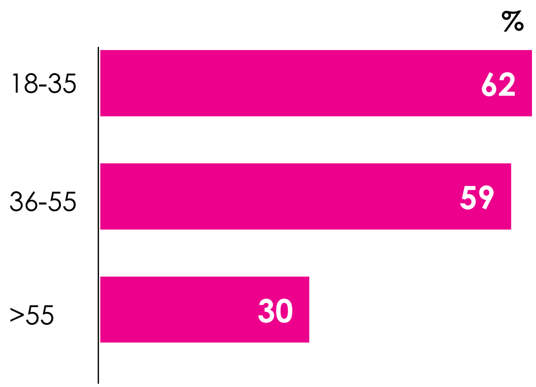
Using technology to develop new products

- We are using our technology platform and deep customer insights to develop new products for the broader non-standard credit market
- Monthly independent customer surveys have been conducted for the last 2 years to understand what customers want
- Research by the FCA confirms that among typical HCC customers, 27% of personal debt balances are HCC, with a further 32% in credit card, overdraft, online lending and HCSTC[1]

Morses Club customers with an interest in a Morses Club current account, with the option of a credit limit



% Interested (By Age)



E-money product

- Survey shows that over half of Morses Club customers are interested in a Morses Club current account
- Advanced plans to develop an e-money product
- Once launched, this will be fully integrated into the customer portal

Source – Mustard Customer Satisfaction: 2 year summary report

(1) FS17/2: High-cost credit and review of the high-cost short-term credit price cap

Summary and Outlook

Summary and Outlook

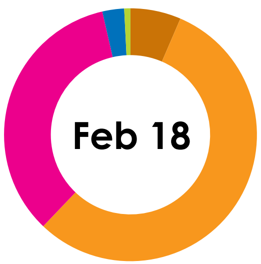
Our vision is to become a leading provider of non-standard finance in the UK

Delivery	Strong performance for the full year with growing shareholder returns	Continued growth across key financial metrics
Foundation for growth	Building a digital offering to meet our customers needs	Strategic focus on the online lending market
Opportunity	Challenging trading conditions but outlook for FY20 remains unchanged	Opportunities for growth through both acquisitions and continued product diversification

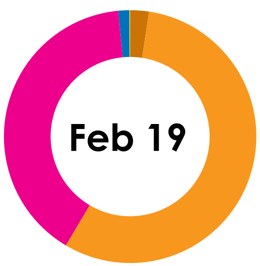
Appendices

Loan KPIs

Loan book duration



Term of loan	Proportion of book	APR	Daily interest
20 week loans	6.5%	756.5%	0.36%
33 week loans	56.0%	433.5%	0.28%
52 week loans	34.5%	272.2%	0.23%
78 week loans	2.8%	172.0%	0.17%
Other	0.2%	N/A	N/A
Total	100.0%	N/A	N/A



Term of loan	Proportion of book	APR	Daily interest
20 week loans	2.4%	756.5%	0.36%
33 week loans	56.1%	433.5%	0.28%
52 week loans	40.0%	272.2%	0.23%
78 week loans	1.4%	172.0%	0.17%
Other	0.1%	N/A	N/A
Total	100.0%	N/A	N/A

Dot Dot pricing

Term of loan	Finance charge	Daily interest
3 month	42.4%	0.46%
6 month	89.0%	0.49%
9 month	96.3%	0.35%
12 month	96.6%	0.26%

Profit reconciliation

Reconciliation of Reported to Adjusted Profit Before Tax

£m		IAS39		IFRS 9	
	Feb-17	Feb-18	Feb-19	Feb-18	Feb-19
Reported Profit before Tax	**11.2**	**16.1**	**20.0**	**15.5**	**20.2**
IPO costs	£2.2	£0.0	£0.0	£0.0	£0.0
Restructuring and non-recurring costs	£0.6	£1.0	£0.8	£1.0	£0.8
Amortisation of intangibles	£3.7	£2.1	£1.0	£2.1	£1.0
Adjusted PBT	£17.7	£19.2	£21.8	£18.6	£22.0
Adjusted PAT	**£14.0**	**£15.2**	**£17.4**	**£14.7**	**£17.6**
Adjusted PBT	£17.7	£19.2	£21.8	£18.6	£22.0
Add back TB subsidies	£1.2	£4.4	£1.7	£4.4	£1.7
Add back Dot Dot losses	£0.0	£0.8	£0.5	£0.8	£0.5
Underlying PBT (excl TB subsidies & Dot Dot)	£18.9	£24.4	£24.0	£23.8	£24.2
Underlying PAT (excl TB subsidies & Dot Dot)	£14.9	£19.3	£19.1	£18.8	£19.3

Impact of IFRS accounting

£m	IAS39				IFRS9	
	Feb-16	**Feb-17**	**Feb-18**	**Feb-19**	**Feb-18**	**Feb-19**
Gross contracted receivable	117.6	122.9	137.7	146.8	137.7	146.8
Cash projection	87.7	93.9	110.2	118.2	110.2	118.2
Cash as a percentage of Gross	**74.6%**	**76.4%**	**80.0%**	**80.5%**	**80.0%**	**80.5%**
Impact of Discounting	(31.0)	(32.7)	(37.4)	(41.3)	(41.3)	(45.2)
IFRS Balance Sheet Value	56.7	61.2	72.8	76.9	68.9	73.0
Discounting impact as % of gross balances	26.4%	26.6%	27.2%	28.1%	30.0%	30.8%

Underlying asset value

We are required to discount future loan book cash flows at the customer "effective interest rate", which results in a balance sheet value of the loan book that is materially lower than projected cash flows from it